

**MONTANA-DAKOTA UTILITIES CO.
GAS UTILITY - SOUTH DAKOTA
ALLOCATION OF REVENUES
Pro Forma June 30, 2012**

Rate Class	Billing Determinants 1/					Embedded COS Before Increase 2/			Required Increase 3/	
	Billing Units	Dk	Distribution Revenues	Gas Costs	Total Revenues	Operating Income	Rate Base	Rate Of Return	Increase In Revenue	% Incr
Residential										
Black Hills	41,962	3,154,338	\$8,784,498	\$14,651,900	\$23,436,398					
East River	6,109	378,198	1,436,915	1,756,730	3,193,645					
Subtotal	48,071	3,532,536	10,221,413	16,408,630	26,630,043	1,042,701	25,127,021	4.15%	1,529,739	5.74%
Firm General Service										
Black Hills	5,558	2,394,729	3,718,277	11,123,516	14,841,793					
East River	1,096	499,647	1,418,260	2,320,860	3,739,120					
Subtotal	6,654	2,894,376	5,136,537	13,444,376	18,580,913	1,106,813	12,586,256	8.79%	(134,356)	-0.72%
Air Force	1	319,714	20,962	1,151,930	1,172,892	(35,055)	369,726	-9.48%	100,162	8.54%
Small Interruptible										
Sales - Black Hills	14	85,915	46,731	309,552	356,283				0	
Sales - East River	0	0	0	0	0				0	
Subtotal	14	85,915	46,731	309,552	356,283				0	
Transport- Black Hills	17	270,635	139,434	0	139,434				0	
Transport- East River	0	0	0	0	0				0	
Subtotal	17	270,635	139,434	0	139,434				0	
Total Small IT	31	356,550	186,165	309,552	495,717	51,933	416,921	12.46%	(27,977)	-5.64%
Large Interruptible										
Sales	1	71,279	15,429	256,818	272,247				0	
Transportation	10	742,884	165,919	0	165,919				0	
Total Large IT	11	814,163	181,348	256,818	438,166	2,048	669,671	0.31%	80,431	18.36%
Total South Dakota	54,768	7,917,339	\$15,746,425	\$31,571,306	\$47,317,731	\$2,168,440	\$39,169,595	5.54%	\$1,547,999	3.27%

1/ Rule 20:10:13:85 Statement I, Page 5.

1/ Rule 20:10:13:85 Statement N, Schedule N-1 Page 6.

1/ Rule 20:10:13:85 Statement N, Schedule N-1 Pages 1 - 4.

**MONTANA-DAKOTA UTILITIES CO.
GAS UTILITY - SOUTH DAKOTA
ALLOCATION OF REVENUES
Pro Forma June 30, 2012**

Rate Class	Target Rate Design		Rate Design Results 1/			
	Increase In Revenue	% Increase	Increase In Revenue	Total Revenues	% Incr	Rate Of Return
Residential						
Black Hills			1,478,686	24,915,084	6.31%	
East River			(88,357)	3,105,288	-2.77%	
Subtotal	1,390,116	5.22%	1,390,329	28,020,372	5.22%	7.74%
Firm General Service						
Black Hills	0		557,146	15,398,939	3.75%	
East River	0		(556,414)	3,182,706	-14.88%	
Subtotal	0	0.00%	732	18,581,645	0.00%	8.80%
Small Interruptible						
Sales - Black Hills	0		10,745	367,028	3.02%	
Transport- Black Hills	0		(10,818)	128,616	-7.76%	
Subtotal	0		(73)	495,644	-0.02%	
Large Interruptible						
Sales			7,859			
Transportation			75,632			
Air Force Sales			73,876			
Total Large IT	157,883	9.80%	157,367	1,768,425	9.77%	6.65%
Total South Dakota	\$1,547,999	3.27%	\$1,548,355	\$48,866,086	3.27%	8.10%

1/ Rule 20:10:13:85 Statement O, Schedule O-1 Pages 3 - 12.

MONTANA-DAKOTA UTILITIES CO.
GAS UTILITY - SOUTH DAKOTA
RATE RECONCILIATION
RESIDENTIAL GAS SERVICE - RATE 60
Pro Forma June 30, 2012

	Billing Units	Current		Proposed		Change
		Rate	Amount	Rate	Amount	
Residential Rate 60						
Black Hills						
Basic Service Charge	41,962 Cust	\$0.25	\$3,829,033	\$0.30	\$4,594,839	\$765,806
Distribution Charge	3,154,338 dk	1.571	4,955,465	1.797	5,668,345	712,880
Cost of Gas	3,154,338 dk	4.645	14,651,900	4.645	14,651,900	0
Subtotal			23,436,398		24,915,084	1,478,686
East River						
Basic Service Charge	6,109 Cust	\$0.15	\$334,468	\$0.30	\$668,936	\$334,468
Distribution Charge	378,198 dk	2.915	1,102,447	1.797	679,622	(422,825)
Cost of Gas	378,198 dk	4.645	1,756,730	4.645	1,756,730	0
Subtotal			3,193,645		3,105,288	(88,357)
Total Revenue Rate 60			\$26,630,043		\$28,020,372	\$1,390,329
Total Distribution Revenues Per Design			\$11,611,742			
Target Distribution Revenues			11,611,529			
Difference			\$213			

**MONTANA-DAKOTA UTILITIES CO.
GAS UTILITY - SOUTH DAKOTA
RESIDENTIAL GAS SERVICE - RATE 60
Pro Forma June 30, 2012**

	<u>Black Hills</u>	<u>East River</u>	<u>Total</u>
Current Non-Gas Revenues	\$8,784,498	\$1,436,915	\$10,221,413
Proposed Revenue Increase	1,390,116	0	1,390,116
Total Revenue Requirement	<u>\$10,174,614</u>	<u>\$1,436,915</u>	<u>\$11,611,529</u>
Less:			
Proposed Base Rate Revenues	4,594,839	668,936	5,263,775
Remaining Revenues To Be Collected	<u>5,579,775</u>	<u>767,979</u>	<u>6,347,754</u>
Total Rate 60 Consumption	3,154,338	378,198	3,532,536

**MONTANA-DAKOTA UTILITIES CO.
 GAS UTILITY - SOUTH DAKOTA
 RATE RECONCILIATION
 FIRM GENERAL GAS SERVICE - RATE 70
 Pro Forma June 30, 2012**

	Billing Units	Current		Proposed		Change
		Rate	Amount	Rate	Amount	
<u>Firm General Rate 70</u>						
Black Hills						
Basic Service Chg Rate 700	4,036 Cust	\$0.35	\$515,599	\$0.42	\$618,719	\$103,120
Basic Service Chg Rate 701	1,522 Cust	0.70	388,871	1.00	555,530	166,659
Subtotal	5,558		\$904,470		\$1,174,249	269,779
Distribution Delivery	2,394,729 Dk	1.175	2,813,807	1.295	3,101,174	287,367
Cost of Gas	2,394,729 Dk	4.645	11,123,516	4.645	11,123,516	0
Subtotal			14,841,793		15,398,939	557,146
East River						
Basic Service Chg Rate 760	875 Cust	\$0.25	\$79,844	\$0.42	\$134,138	\$54,294
Basic Service Chg Rate 761	221 Cust	0.50	40,333	1.00	80,665	40,332
Subtotal	1,096		\$120,177		\$214,803	94,626
Distribution Delivery	499,647 Dk	2.598	1,298,083	1.295	647,043	(651,040)
Cost of Gas	499,647 Dk	4.645	2,320,860	4.645	2,320,860	0
Subtotal			3,739,120		3,182,706	(556,414)
Total Revenue			\$18,580,913		\$18,581,645	\$732
Total Distribution Revenues Per Design			\$5,137,269			
Target Distribution Revenues			5,136,537			
Difference			\$732			

**MONTANA-DAKOTA UTILITIES CO.
 GAS UTILITY - SOUTH DAKOTA
 FIRM GENERAL GAS SERVICE - RATE 70
 Pro Forma June 30, 2012**

	<u>Black Hills</u>	<u>East River</u>	<u>Total</u>
Current Non-Gas Revenues	\$3,718,277	\$1,418,260	\$5,136,537
Proposed Revenue Increase	0	0	0
Total Revenue Requirement	<u>\$3,718,277</u>	<u>\$1,418,260</u>	<u>\$5,136,537</u>
Less:			
Proposed Base Rate Revenues	1,174,249	214,803	1,389,052
Remaining Revenues To Be Collected	<u>2,544,028</u>	<u>1,203,457</u>	<u>3,747,485</u>
Total Rate 70 Consumption	2,394,729	499,647	2,894,376

MONTANA-DAKOTA UTILITIES CO.
GAS UTILITY - SOUTH DAKOTA
SMALL INTERRUPTIBLE - RATES 71 & 81
Pro Forma June 30, 2012
Excluding Flexed Contracts

	Billing Units	Current		Proposed		Change
		Rate	Amount	Rate	Amount	
Basic Service Charge						
Rate 71 Sales	13 Cust	\$50.00	\$7,800	\$150.00	\$23,400	\$15,600
Rate 81 Transport	15 Cust	125.00	22,500	150.00	27,000	4,500
Subtotal	28		30,300		\$50,400	\$20,100
Distribution Delivery						
Rate 71 Sales	84,084 dk	\$0.453	38,090	\$0.381	32,036	(6,054)
Rate 81 Transport	221,074 dk	0.453	100,147	\$0.381	84,229	(15,918)
Cost of Gas	84,084 dk	3.603	302,955	3.603	302,955	0
Total Revenue			471,492		469,620	(1,872)
Total Small Interruptible Revenues			\$166,665			
Target Revenues			166,738			
Difference			<u>(\$73)</u>			

**MONTANA-DAKOTA UTILITIES CO.
GAS UTILITY - SOUTH DAKOTA
PROPOSED RATE DESIGN
SMALL INTERRUPTIBLE SERVICE - RATES 71 & 81
Pro Forma June 30, 2012
Excluding Flexed Contracts**

Small Interruptible Non-Gas Revenue Requirement	\$186,165
Less: Flexed Contracts	(19,427)
Proposed Revenue Increase	<u>0</u>
Proposed Revenue Requirement	166,738
Less:	
Basic Service Charge Revenue	50,400
	<u> </u>
Remaining Revenues To Be Collected	\$116,338
Total Throughput Rates 71 & 81 (Excluding Flexed Contracts)	305,158
Commodity Charge	\$0.381

**MONTANA-DAKOTA UTILITIES CO.
 GAS UTILITY - SOUTH DAKOTA
 REVENUE RECONCILIATION
 SMALL INTERRUPTIBLE SERVICE - RATES 71 & 81
 Pro Forma June 30, 2012**

Small Interruptible Sales

Base Rate Revenues	\$23,400
Energy Revenues	32,036
Cost of Gas	302,955
Distribution Revenue Flexed	2,040
Cost of Gas- Assoc with Flex	6,597
Total Sales Revenues	\$367,028

Small Interruptible Transportation

Base Rate Revenues	\$27,000
Transportation Revenues @ Ceiling	84,229
Transportation Revenue - Flexed	13,787
Base Rate Revenues - Flexed	3,600
Total Transportation Revenue	\$128,616

Total Small Interruptible Revenues Per Design	\$495,644
Total Small Interruptible Target Revenues	495,717

Difference (\$73)

Flexed Contracts

Customer ID	Bills	Base Rev	Dk	Rate	Revenue	Total Rev
81-14	12	1,800	22,453	\$0.247	5,546	7,346
81-17	12	1,800	27,108	0.304	8,241	10,041
Subtotal Transport	24	3,600	49,561		13,787	17,387
71-12 (Sales)	12	1,800	1,831	0.131	240	2,040
Subtotal Sales	12	1,800	1,831		240	2,040
Total	36	\$5,400	51,392		\$14,027	\$19,427

MONTANA-DAKOTA UTILITIES CO.
GAS UTILITY - SOUTH DAKOTA
LARGE INTERRUPTIBLE SERVICE - RATES 82 & 85
Pro Forma June 30, 2012

CLASS	Billing Units	Current		Proposed		Change
		Rate	Amount	Rate	Amount	
Basic Service Charge						
Rate 85 Sales	1 Cust	\$175.00	\$2,100	\$230.00	\$2,760	\$660
Rate 82 Transport	10 Cust	225.00	27,000	230.00	27,600	600
Rate 64 Air Force	12 Bills	95.00	1,140	230.00	2,760	1,620
Subtotal			<u>30,240</u>		<u>33,120</u>	<u>\$2,880</u>
Distribution Delivery						
Rate 85 Sales	71,279 dk	0.187	\$13,329	0.288	\$20,528	7,199
Rate 82 Transport	742,884 dk	0.187	138,919	0.288	213,951	75,032
Rate 64 Air Force	319,714 dk	0.062	19,822	0.288	92,078	72,256
Subtotal			<u>172,070</u>		<u>326,557</u>	<u>\$154,487</u>
Cost of Gas						
Rate 85 Sales	71,279 dk	3.603	256,818	3.603	256,818	0
Rate 64 Air Force	319,714 dk	3.603	1,151,930	3.603	1,151,930	0
Subtotal			<u>1,408,748</u>		<u>1,408,748</u>	
Total Revenue			\$1,611,058		\$1,768,425	157,367
Total Distribution Revenue			\$359,677			
Target Distribution Revenue			<u>360,193</u>			
Difference			<u><u>(\$516)</u></u>			

**MONTANA-DAKOTA UTILITIES CO.
GAS UTILITY - SOUTH DAKOTA
PROPOSED RATE DESIGN
LARGE INTERRUPTIBLE SERVICE - RATES 82 & 85
Pro Forma June 30, 2012**

Large Interruptible & Air Force Non-Gas Revenue Requirement	\$202,310
Less: Flexed Contracts	0
Proposed Revenue Increase	<u>157,883</u>
Total Revenue Requirement	\$360,193
Less: Base Service Charge Revenues	<u>33,120</u>
Total Revenue Requirement	\$327,073
Total Throughput Rates 82 & 85 (Excluding Flexed Contracts)	1,133,877
Commodity Charge	\$0.288

**MONTANA-DAKOTA UTILITIES CO.
GAS UTILITY - SOUTH DAKOTA
REVENUE RECONCILIATION
LARGE INTERRUPTIBLE SERVICE - RATES 82 & 85
Pro Forma June 30, 2012**

Large Interruptible & Air Force Sales	
Base Rate Revenues	\$5,520
Energy Revenues	112,606
Cost of Gas	<u>1,408,748</u>
Total Sales Revenues	1,526,874
Large Interruptible Transportation	
Base Rate Revenues	\$27,600
Transportation Revenues - @ Ceiling	213,951
Transportation Revenues - Flexed	<u>0</u>
Total Transportation Revenues	\$241,551
Total Large Interruptible Revenues Per Design	\$1,768,425
Total Large Interruptible Target Revenues	<u>1,768,941</u>
Difference	(\$516)